



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-9000

GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION

August 22, 2003

03-16

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: George S. Anderson, Executive Vice President

SUBJECT: Hybrid Adjustable Rate Mortgages

Effective with October 1, 2003 pool issuances, Ginnie Mae will allow issuers to pool several new FHA and VA hybrid Adjustable Rate Mortgage ("ARM") products. The hybrid ARM products will be eligible for securitization as multiple issuer loan packages under the GNMA II mortgage-backed securities program. As such, they will be subject to the GNMA II guidelines as outlined in the Ginnie Mae Mortgage-Backed Securities Guide 5500.3 Rev. 1, which was communicated to issuers in All Participants Memorandum ("APM") 03-08.

Ginnie Mae will guarantee pools backed by FHA 3, 5, 7 and 10-Year hybrid ARMs and VA 3-Year and 5-Year hybrid ARMs. After the initial fixed rate period, the mortgage will adjust annually based on the weekly average yield of U.S. Treasury securities adjusted to a constant maturity of one year, commonly referred to as the Constant Maturity Treasury ("CMT"), plus a mortgage margin established by the issuer, rounded to the nearest 0.125%. The CMT index can be found in Federal Reserve Statistical Release H.15, Selected Interest Rates, using the website www.federalreserve.gov/releases/h15/Update. The CMT shall be the most recent index figure available 30 calendar days before the date of each interest rate adjustment.

The 3-Year and 5-Year hybrid ARMs allow a one percentage point annual interest rate adjustment after the initial fixed interest rate period, and a five percentage point interest rate cap over the life of the loan. Index changes in excess of one percentage point may not be carried forward for inclusion in a subsequent year. The 7-Year and 10-Year hybrid ARMs allow a two percentage point annual interest rate adjustment after the initial fixed interest rate period and a six percentage point interest rate cap over the life of the loan. Index changes in excess of two percentage points may not be carried forward for inclusion in a subsequent year.

New suffix designations have been created for the hybrid ARM products as follows:

Initial Fixed Rate Period	New Suffix
3-Year ARM	M AT
5-Year ARM	M AF

7-Year ARM	M AS
10-Year ARM	M AX

The table below indicates the mortgage and security interest rate adjustment time frames for the hybrid ARM products as well as annual and life of the loan caps.

ARM Type	Suffix	Mortgage Interest Rate Adjustments	Security Interest Rate Adjustments	Annual Cap (after initial fixed rate period)	Life of Loan Cap
Multiple Issuer 3-Year hybrid	M AT	No sooner than 36 months or later than 42 months	No sooner than 37 months or later than 39 months	1 percentage point	5 percentage points
Multiple Issuer 5-Year hybrid	M AF	No sooner than 60 months or later than 66 months	No sooner than 61 months or later than 63 months	1 percentage point	5 percentage points
Multiple Issuer 7-Year hybrid	M AS	No sooner than 84 months or later than 90 months	No sooner than 85 months or later than 87 months	2 percentage points	6 percentage points
Multiple Issuer 10-Year hybrid	M AX	No sooner than 120 months or later than 126 months	No sooner than 121 months or later than 123 months	2 percentage points	6 percentage points

In order to be eligible for pooling, all loans must have identical interest rate adjustment dates and the note rate must be 25-75 basis points above the security rate. The security interest rate adjustment must occur one month after the mortgage interest rate adjustment. Consistent with the existing FHA 1-Year ARM, the hybrid ARM adjustment dates will also be January 1, April 1, July 1 and October 1.

Hybrid ARM loan packages will be eligible for the Pool Issuance and Immediate Transfer (PIIT) and Targeted Lending Initiative pooling options. Additionally, all hybrid ARMs must have 30 year maturities.

Also, Ginnie Mae's GinnieNET software is being upgraded to accommodate the new products. The upgraded software (GinnieNET, Version 5.9) will be mailed to issuers and document custodians no later than the last week in August. Ginnie Mae MBS Guide changes covering the new products will be forthcoming. Questions regarding this memorandum should be addressed to your Ginnie Mae Single-Family Account Executive at (202) 708-1535.